

Message Text

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SUBJECT: COMMENTS ON JORDANIAN LAW RE REGIONAL OFFICE LOCATION

REF: (A) AMMAN 8672, (B) AMMAN A-98, (C) AMMAN A-115

1. NEW JORDANIAN LAW GOVERNING ESTABLISHMENT OF REGIONAL
HEADQUARTERS OFFICES IN JORDAN PROMISES TO ADD SIGNIFICANTLY
TO ATTRACTIVENESS OF AMMAN TO US AND OTHER FOREIGN COMPANIES
SEEKING SITE FOR MIDDLE EAST REGIONAL LEADQUARTERS. LAW
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IS NATURAL INCLUSION INTO EVOLVING PATTERN OF LEGISLATION AND

REGULATIONS INTENDED TO PROMOTE FOREIGN COMMERCIAL AND INVESTMENT ACTIVITY IN JORDAN. AS SUCH IT FILLS GAP IN PREVIOUSLY EXISTING LEGISLATION BY CLARIFYING, CODIFYING, AND ENLARGING UPON INDUCEMENTS FOR REGIONAL OFFICES TO OPERATE OUT OF AMMAN.

2. THOUGH GOJ HAD BEEN CONSIDERING SUCH LEGISLATION FOR SOME TIME, DISTURBANCES IN LEBANON CONTRIBUTED TO DISPATCH WITH WHICH FINAL CONSIDERATION AND PASSAGE OF LAW TOOK PLACE. NOT SURPRISINGLY, GREEK EMERGENCY LAW 89, WHICH CONTRIBUTED SIGNIFICANTLY TO ATTRACTIONS OFFERED BY ATHENS FOR REGIONAL OFFICES, SERVED IN PART AS MODEL FOR JORDANIAN LEGISLATION. THIS SUMMER'S LIBERALIZATION OF FOREIGN EXCHANGE CONTROL REGULATIONS (REF. B) WAS FIRST TENTATIVE STEP IN MOVE TO CREATE CONDITIONS FAVORABLE TO MAKING AMMAN COMMERCIAL CAPITAL AND EXPECTED LIBERALIZED REVISION OF BASIC ENCOURAGEMENT OF INVESTMENT LAW WILL BE FURTHER STEP IN THIS PROCESS.

3. NEW REGIONAL HEADQUARTERS LAW IS NOT TO BE CONFUSED WITH "ENCOURAGEMENT OF INVESTMENT LAW", WHICH IS ITSELF IN FINAL STAGES OF REVISION. FORMER IS SPECIFICALLY AND ONLY INTENDED TO ATTRACT FOREIGN REGIONAL OFFICES, WHICH WILL NOT CONDUCT BUSINESS IN JORDAN, THROUGH GRANT OF DUTY FREE IMPORT OF OFFICE EQUIPMENT AND SAMPLES, COMPANY'S EXEMPTION FROM INCOME AND OTHER TAXES AND FEES, AND NON-JORDANIAN EMPLOYEES'S EXEMPTION FROM INCOME TAX AND DUTIES ON IMPORTED HOUSEHOLD EFFECTS AND AUTOMOBILES. ON OTHER HAND, PURPOSE OF ENCOURAGEMENT OF INVESTMENT LAW (AND ITS REVISION) IS TO STIMULATE FOREIGN AND DOMESTIC DIRECT INVESTMENT IN PROJECTS WHICH ACCORD WITH NATIONAL ECONOMIC DEVELOPMENT PLANS. SUCH INVESTMENTS ENJOY TAX HOLIDAYS FOR LIMITED, THOUGH VARIABLE, PERIODS OF TIME ON IMPORTED CAPITAL EQUIPMENT, BUILDINGS, LAND, AND PROFITS. AT DISCRETION OF CENTRAL BANK, PROFITS AND INTEREST, AND SALARIES OF NON-JORDANIAN EMPLOYEES MAY BE TRANSFERRED OUT OF JORDAN, AND CAPITAL REPATRIATED. UNDER INVESTMENT LAW, STATE-OWNED LAND MAY ALSO BE PROVIDED GRATIS TO DIRECT INVESTMENT PROJECT.

4. THOUGH PURPOSES AND PROVISIONS OF THESE TWO LAWS ARE VERY DIFFERENT, IT IS NOTABLE THAT AUTHORITY TO ACT UPON APPLICATIONS FOR REGISTRATION UNDER NEW REGIONAL OFFICE LAW IS VESTED SOLELY IN MINISTER OF INDUSTRY AND COMMERCE AND HE IS ENJOINED TO DECIDE ON APPLICATIONS WITHIN ONE WEEK OF THEIR SUBMISSION. IN CONTRAST, OLDER ENCOURAGEMENT OF INVESTMENT LAW IS ADMINISTERED BY ELEVEN MEMBER COMMITTEE CONSISTING OF REPRESENTATIVES FROM SIX GOJ AGENCIES AND THE PRIVATE SECTOR, AND THERE IS NO TIME LIMIT WITHIN WHICH DECISIONS MUST BE TAKEN, APPARENTLY, GOJ HAS RECOGNIZED AD-

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CATION FOR REGISTRATION UNDER NEW REGIONAL OFFICE LAW IS VESTED SOLELY IN MINISTER OF INDUSTRY AND COMMERCE AND HE IS ENJOINED TO DECIDE ON APPLICATIONS WITHIN ONE WEEK OF THEIR SUBMISSION. IN CONTRAST, OLDER ENCOURAGEMENT OF INVESTMENT LAW IS ADMINISTERED BY ELEVEN MEMBER COMMITTEE CONSISTING OF REPRESENTATIVES FROM SIX GOJ AGENCIES AND THE PRIVATE SECTOR, AND THERE IS NO TIME LIMIT WITHIN WHICH DECISIONS MUST BE TAKEN, APPARENTLY, GOJ HAS RECOGNIZED AD-

VANTAGES OF STREAMLINING BUREAUCRATIC PROCEDURES, BUT IT REMAINS TO BE SEEN WHETHER REVISED ENCOURAGEMENT OF INVESTMENT LAW WILL FULLY EMBODY THIS PRINCIPLE.

5. PUBLICITY GIVEN TO REGIONAL HEADQUARTERS LAW SEEMS ALREADY TO BE HAVING SOME EFFECT. IN ADDITION TO THREE FIRMS CITED REF (C) AS HAVING RECENTLY LOCATED HERE, SIX OTHERS HAVE MADE TENTATIVE DECISION TO LOCATE ALL OR PART OF THEIR REGIONAL OPERATIONS IN AMMAN. THOUGH PREVIOUSLY PUBLICIZED, LAW HAS ACTUALLY BEEN IN EFFECT ONLY SINCE NOVEMBER 16, SO WE HAVE NO EXPERIENCE WITH ITS IMPLEMENTATION. EMBASSY WILL FOLLOW CLOSELY ITS APPLICATION WITH RESPECT TO US COMPANIES.
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